GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

Guarantees – Guarantees issued by Government – Revised Scheme of Guarantee Redemption fund – Orders – Issued

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Finance (C&DM) Department

G.O.Ms.No.43 Dated: 07-05-2024

Read the following:

1. G.O. Ms. No. 46 Finance (Cash Management) department Dt. 17.04.2018
2. IDMD.No. S2256/10.18.013/2023-24 dtd: 28.12.2023 received from RBI.

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In the reference 2nd read above, the Director, Internal Debt Management Department, RBI has requested to issue a revised Notification of Guarantee redemption Fund.

2. Government after careful consideration of the matter, decided to accept the request of the Reserve bank of India and here by ordered the revised scheme of Guarantee Redemption Fund in supersession of orders issued in the ref. 1st read above.

Revised Scheme for Constitution and Administration of the Guarantee Redemption Fund of Government of Andhra Pradesh.

Title of the Scheme	**1**	The Scheme shall be called ‘Guarantee Redemption Fund (hereinafter referred to as 'the Fund’) Scheme of the Government of **Andhra Pradesh** '.
Constitution of the Fund	**2**	A ‘Guarantee Redemption Fund’ shall be constituted by the Government of **Andhra Pradesh** (hereinafter called the Government) for meeting its obligations arising out of the Guarantees issued on behalf of State Level Public Sector Undertakings or Other Bodies. The Fund shall be constituted in the Public Account and classified under the head **“8235 -** General and Other Reserve Funds) –…M.H **117 (**Guarantee Redemption Fund)” in the accounts of the Government.

Objective of the Scheme **3** The Fund shall be utilised for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Level Public Sector Undertakings or Other Bodies and invoked by the beneficiaries.

Explanation

(a) The accumulations in the Fund shall be utilised only towards the payment of the guarantees issued by the Government and invoked by the beneficiary and not paid by the institution on whose behalf guarantee was issued.

(b) The State can avail of short-term accommodation under Special Drawing Facility (SDF) from Reserve Bank of India (hereinafter referred to as 'the Bank') against the collateral of investment made in GRF for meeting temporary cashflow mismatches, subject to the terms and conditions as fixed by the Bank from time to time.

Commencement of the Operation of the scheme **4** The revised Scheme shall come into force with effect from the date of the notification.

Contributions to the Fund **5** (a) The Government should make conscious efforts towards building up the GRF corpus to five per cent of the outstanding guarantees within a span of five years from the date of constitution of the Fund.

(b) It is open to the Government to increase the contributions to the Fund at its discretion and also based on its assessment of likely invocation of guarantees. The balance in the Fund shall be increased with periodic contributions made annually or at shorter intervals.

(c) In order to enable transfer of the total amount of contribution to the Fund, the Government would make suitable Budget provision under the Revenue Expenditure side of the budget under the head "**2070 (other administrative services), M.H 797 (**Transfer to/ from Reserve Fund and Deposit Account- S.H **10** Guarantee Redemption Fund".

(d) The Government shall not fund its contribution to the Fund out of borrowings from the Bank.

Relationship of the Fund with General Revenues / Public Account

6 (a) The corpus of the Fund comprises an initial amount demarcated by the Government, annual or other contributions made by the Government thereto as also periodic accretions by way of Guarantee Commission to be collected from the institutions in respect of whose bonds / obligations Government will issue the guarantees, in addition to the income accruing to the Fund.

(b) The Fund shall be kept outside the General Revenues of the Government and shall be utilized only in the manner prescribed in this Scheme.

Administration of the Fund

7 The Fund shall be administered by Central Accounts Section of the Bank subject to such directions/ instructions as the Government may issue from time to time.

Investment of the corpus of the Fund

8 The accretions to the Fund together with the income earned on the investment of the Fund shall be invested in Government of India (GoI) Dated Securities, Treasury Bills, Special Securities of the GoI and State Government Securities of other States of such maturities as the Bank may determine from time to time. The Bank shall make available the securities for investment either from its investment portfolio or by acquiring the securities from the secondary market, without loading any charge other than that indicated in paragraph 11.

Accounting of Transactions **9**

(a) The responsibility for the administration of the Fund will rest with the Government. The Government will decide all matters connected with the investment of the corpus of the Fund, reinvestment / dis-investment, obligations and application of the Fund, etc.

(b) The Government will, from time to time, issue instructions to the Bank. The Bank will immediately arrange to make the necessary investment. The Bank would scroll to the Government the debit on account of the investment and other incidental charges like brokerage, commission, etc. in the usual course. However, in order to ensure that the investment transactions of the Fund do not get mixed up with other transactions, these may be indicated distinctly in separate scrolls.

(c) On receipt of the scrolls the investment transactions would be accounted for under the head "**8235** General and Other Reserve Funds, M.H **120** (Guarantee Redemption Fund Investment Account". However, the incidental charges like brokerage, commission, etc., shall be accounted for as a charge on the Fund.

(d) The Bank will arrange to collect interest on these securities and credit the same to the Fund on due date. Further, these would require to be invested as in the case of the contributions by the Government i.e., in accordance with the investment norms prescribed in para 8 above.

(e) On maturity of the securities, the proceeds will be collected and credited to the account of the Government or reinvested in accordance with the pattern outlined in para 8 above on the basis of instructions received from the Government. As in the case of the debit scrolls, the Bank shall use separate scrolls, for the receipts.

(f) On receipt of instructions from the Government, the Bank will arrange to sell the securities at the ruling price and credit the amount realized, less incidental charges, to the account of the Government. If these securities are in loss, Bank may in consultation with the Government decide on the securities to be liquidated.

(g) The receipts on account of maturity or sale of the securities would be taken into the account of the "Guarantee Redemption Fund Investment Account". The incidental charges on sale would be charged to the Fund.

(h) The provision for expenditure on account of the Guarantee Redemption will be made in the budget of the Government under the relevant heads. Only the actual amount of guarantee redemption expenditure shall be brought in account under the Revenue Expenditure Head **"2070 (other administrative services),** - M.H **797 (**Transfer to/ from Reserve Fund and Deposit Account-S.H **10** (Guarantee Redemption Fund".

(i) The Bank shall arrange to redeem the securities on maturity. In case of premature disinvestments to meet the liability on account of the claims to be paid, the Bank shall decide on the securities to be liquidated and sell the securities at the ruling price and credit the amount realised, less incidental charges, to the Government account. If these securities are in loss, Bank may in consultation with the Government decide on the securities to be liquidated.

(j) The Government will pay the Bank, a commission at the rate determined by the Bank in consultation with the Government. These charges shall also be borne by the Fund as in the case of the charges indicated in paras 9(c) and 9(g). The loss or gain on the sale of securities shall also be taken to the Account of the Fund.

Explanation

(a) The debit to Government on account of such withdrawal will be accounted under the major head "**8235**- General and Other Reserve Fund, M.H **120-** Guarantee Redemption Fund – Investment Account". On the maturity of the loan the balance outstanding under the head 8235- General and Other Reserve Fund- **M.H 117 i**s credited to the Head Miscellaneous Government Account- Ledger Balance Adjustment Account".

(b) The Bank would scroll to the Government the debit on account of investment less the incidental charges in the usual course. However, in order to ensure that the investment transactions of the Fund do not get mixed up with other transactions, these will be indicated distinctly in separate scrolls.

(c) The Bank will arrange to collect interest on the investments and credit the same to the Fund on the due dates.

(d) On the maturity of the securities, the Bank will arrange to redeem the securities and in case of premature disinvestment, to sell the securities at the ruling price and credit the amount realised, less incidental charges to the Guarantee Redemption Fund Investment Account. As in the case of debit scrolls, the Bank shall use separate scrolls for the receipts.

(e) The provision for expenditure on account of the periodic contributions will be made in the Budget of the Government under the relevant head. The extent of expenditure to be financed from the Fund shall be withdrawn from the Fund by the disposal of the investment.

Functions of the Bank managing the Fund

10 (a) The Bank will be guided by the directions of the Government in all matters concerning the investment / reinvestment / dis-investment / reallocation / withdrawals time to time of the Fund and will act accordingly.

(b) The Bank would arrange to raise a debit to the account of the Government maintained with it as per the schedule of contributions set out in paragraph 5.

(c) The contributions to the Fund shall be invested by the Bank as indicated in paragraph 8. The periodic accretion to the Fund by way of guarantee commission, contributions by the Government and interest income shall also be invested by the Bank in a similar manner.

(d) 50 per cent of the outstanding corpus held in the GRF as on March 31 of the preceding financial year, or the amount of guarantees invoked during the year (April – March), whichever is less, should be reckoned for arriving at the maximum eligible limit for withdrawal from the GRF during the year. The Government will replenish the corpus before seeking the next withdrawal.

(e) The Bank will submit periodical statement of balances / advices regarding the changes therein in consultation with the Government,

Services charges for administration of the Fund

11 The Government will pay to Bank a commission at the rate of 1/8 per cent of one per cent of the turnover of the Fund or at the rate to be mutually decided from time to time.

Account and Audit

12 The accounts of the Fund and the investments shall be maintained by the Accountant General of the State in the normal course. The concerned Department of the Government will maintain subsidiary accounts in such manner and detail as may be considered by the

Government in consultation with the Accountant General.

Savings **13** The Government shall issue instructions relating to the provisions of the Scheme as may be considered from time to time to enable smooth functioning of the Scheme. In case of any difficulty in the operation of any provision of the Scheme, the Government may, if satisfied, relax the provisions.

(BY ORDER AND IN THE NAME OF GOVERNOR OF ANDHRA PRADESH)

SHAMSHER SINGH RAWAT
SPECIAL CHIEF SECRETARY TO GOVERNMENT

To
The Accountant general (A&E), A.P., Vijayawada.
The Director of treasuries and Accounts, A.P., Mangalagiri.
Copy to:
The Reserve bank of India, Internal Debt management Cell, Mumbai
The Reserve bank of India, central Accounts Section, Nagpur.
The Reserve bank of India, Saifabad, Hyderabad.
SF/SC

//FORWARDED::BY ORDER//

SECTION OFFICER